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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
whether there has been a violation of the
Securities Act of Washington by:

Dave Augustus Green,

Respondent.

S-03-006-003-TO01

SUMMARY ORDER SUSPENDING
SECURITIES SALESPERSON
REGISTRATION AND NOTICE OF INTENT
TO REVOKE SECURITIES SALESPERSON
REGISTRATION, IMPOSE FINES, AND
ORDER AFFIRMATIVE RELIEF

Case No. S-03-006

THE STATE OF WASHINGTON TO:

Dave Augustus Green, CRD #2787039
460 NW 115 Way
Coral Springs, FL 33071

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondent, Dave Augustus Green (“Green”), has engaged in dishonest and unethical practices in the securities business while employed as a registered securities salesperson and that those practices and violations justify a summary suspension of Respondent’s securities salesperson registration pursuant to RCW 21.20.110. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

I. Respondent

1. Dave Augustus Green (“Green”) was a registered securities salesperson in the state of Washington with CGF Securities LLC (“CGF”) in Boca Raton, FL from January 24, 2002 to January 14, 2003. From July 1996 through October 2001, Green was a registered securities salesperson with First Security Investments, Inc., a registered broker-dealer. From October 2001 through January 2002, Green was a registered securities salesperson with Preferred Securities Group (“Preferred”). Preferred submitted a full

SUMMARY ORDER SUSPENDING SECURITIES
SALESPERSON REGISTRATION AND NOTICE OF INTENT
TO REVOKE SECURITIES SALESPERSON REGISTRATION,
IMPOSE FINES, AND ORDER AFFIRMATIVE RELIEF

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DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760

1 withdrawal on January 23, 2002. From January 22, 2002 through January 24, 2002, Green was employed
2 by Vertical Capital Partners, a registered broker-dealer. Green is currently employed as a securities
3 salesperson by Gunnallen Financial, Inc. ("Gunnallen"), a registered broker-dealer. Central Registration
4 Depository ("CRD") records indicate that on January 13, 2003, CGF initiated an internal review of
5 complaints by two of Green's customers alleging that Green executed unauthorized transactions in their
6 accounts and on January 14, 2003, CGF discharged Green from employment for a breach of his
7 employment agreement and violations of National Association of Securities Dealers ("NASD") and firm
8 policies. CRD records further indicate that Green is the subject of two current investigations alleging
9 unauthorized trading. CRD records further indicate that during Green's employment with First Security
10 Investments he was the subject of at least two customer complaints, one of which, alleging
11 mismanagement of the customer's account, resulted in a settlement in August 2001 for \$65,000. Green's
12 securities salesperson registration in the state of Washington has been pending transfer to Gunnallen since
13 January 23, 2003.

14 **II. Nature of the Conduct**

15 2. Fred and Donna Mason live in Deer Park, Washington. Fred Mason ("Mason") is employed
16 in the industrial electronics field. He spends two or three weeks each month at a remote job-site in Alaska.

17 3. On or about July 16, 2002, Mason received a telephone solicitation from Green. Green
18 recommended the purchase of stock in a health-care services company, US Oncology.

19 4. Mason agreed to open an account with Green at CGF and to purchase 500 shares of US
20 Oncology at \$6.81 per share. Green submitted a buy order on July 16, 2002 at 3:44 PM. Mason paid a
21 \$75.00 commission and a \$14.75 fee to CGF.

1 5. As of September 30, 2002, the value of Mason's account had increased to \$4,055 due to an
2 increase in the price of US Oncology stock to \$8.11 per share.

3 6. Green and Mason had no further contact until November 12, 2002. On that date, Green
4 telephoned Mason to seek his approval for the sale of the US Oncology stock, which was trading at
5 approximately \$8.10 per share. Mason approved the sale.

6 7. Green also recommended additional stock trades during the November 12, 2002 telephone
7 call. Mason told Green that he did not want to engage in additional trading at that point in time. Mason
8 informed Green that he was leaving for approximately three weeks and that he did not have the money for
9 additional trades. Mason then suggested trading on margin. Mason declined to trade on margin, saying
10 that he was not experienced in margin trading. Mason left for his job in Alaska on November 13, 2002.
11 He did not return to Washington until November 28, 2002.

12 8. Immediately following the November 12, 2002 telephone call with Mason, Green placed an
13 order to sell 500 shares of US Oncology at \$8.161 per share. Mason paid CGF a \$100 commission and
14 \$14.88 in fees. The Masons received a credit of \$3,965.62 to their brokerage account.

15 9. From this point on, Green began aggressively trading in Mason's account on an unauthorized
16 basis. On November 12, 2002, despite Mason's instructions to the contrary, Green purchased 1,000 shares
17 of Seibel Systems, Inc. at \$7.65 per share for Mason's account. Green placed a \$0.25 mark-up on the
18 order, which generated a \$250 commission for Green. Green then began to further increase the trading
19 velocity in Mason's account. On November 21, 2002 alone, Green executed a total of eight transactions.
20 From November 12, 2002 to November 22, 2002, Green engaged in seventeen trades in Mason's account,
21 sixteen of which were unauthorized, involving a total of 19,800 shares of stock.

1 10. Green's unauthorized trading was both aggressive and high risk. Among Green's
2 unauthorized transactions were two short sales. A short sale is the sale of securities a seller does not own.
3 These positions were not "covered" by existing equity holdings in the Mason's account, which exposed
4 the Masons to unlimited liability for potential appreciation in share price.

5 11. Green profited from this unauthorized trading activity, while the value of the Mason's
6 account declined. Green received \$2,450 in commissions from the unauthorized trades.

7 **EMERGENCY**

8 Based upon the foregoing, the Securities Administrator finds that an emergency exists, and that
9 Respondents' continued violation of RCW 21.20.010 constitutes a threat to the investing public. The
10 Securities Administrator further finds that a summary suspension of Respondent's securities salesperson
11 registration is in the public interest and necessary for the protection of the investing public. Based upon
12 the above Tentative Findings of Fact, the following Conclusions of Law are made:

13 **CONCLUSIONS OF LAW**

14 1. Dave Augustus Green has committed a dishonest and unethical practice under RCW
15 21.20.110(1)(g), as described above, by executing a transaction on behalf of a customer without
16 authorization to do so. WAC 460-22B-090(8), defines the execution of a transaction on behalf of a
17 customer without authorization to do so as a "dishonest and unethical practice" as that term is used in
18 RCW 21.20.110(1)(g). Green's dishonest and unethical conduct is a ground for the suspension or
19 revocation of Green's securities salesperson's license under RCW 21.20.110(1)(g).

20 2. Dave Augustus Green has committed a dishonest and unethical practice under RCW
21 21.20.110(1)(g), as described above, by trading with excessive frequency in the account of Fred Mason.
22 WAC 460-22B-090(6) defines the inducement of trading in a customer's account which is excessive in

size or frequency in view of the financial resources and character of the account as a “dishonest and unethical practice” as that term is used in RCW 21.20.110(1)(g). Green’s dishonest and unethical conduct is a ground for the suspension or revocation of Green’s securities salesperson’s license under RCW 21.20.110(1)(g).

SUMMARY ORDER

Based upon the foregoing, NOW, THEREFORE, IT IS HEREBY ORDERED that the securities salesperson registration of Respondent be, and hereby is, summarily suspended pending a final determination in this proceeding.

NOTICE OF INTENT TO REVOKE REGISTRATION

Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that the securities salesperson registration of the Respondent be revoked.

NOTICE OF INTENT TO IMPOSE FINES

Pursuant to RCW 21.20.110(1) and RCW 21.20.395, and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondent Dave Augustus Green shall be liable for and pay a fine of \$10,000.

NOTICE OF INTENT TO ORDER AFFIRMATIVE RELIEF

Pursuant to RCW 21.20.390, and based upon the above Tentative Findings of Fact and Conclusion of Law, the Securities Administrator finds that affirmative action is warranted to correct the conditions resulting from Respondent’s violations. Therefore, the Securities Administrator intends to order that Respondent Dave Augustus Green shall be liable for and shall provide appropriate affirmative

1 action, including, without limitation, a requirement to pay the costs, fees, and other expenses incurred in
2 the conduct of this investigation.

3 **AUTHORITY AND PROCEDURE**

4 This Order is entered pursuant to the provisions of RCW 21.20.110, RCW 21.20.390, and RCW
5 21.20.395 and is subject to the provisions of Chapter 34.05 RCW. The Respondent may make a written
6 request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND
7 OPPORTUNITY FOR HEARING accompanying this Order. If the Respondent does not request a
8 hearing, the Securities Administrator intends to adopt the foregoing Tentative Findings of Fact and
9 Conclusions of Law as final, and enter a permanent order against the Respondent revoking the
10 Respondent's securities salesperson registration and imposing the fine sought.

11 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

12 DATED this 19th day of March, 2003

14 

15 DEBORAH R. BORTNER
16 Securities Administrator

17 Approved by:

Presented by:

19 _____
20 Michael E. Stevenson
Chief of Enforcement

Andrea Y. Sato
Financial Legal Examiner